

Inspector General

United States
Department of Defense



American Recovery and
Reinvestment Act--Execution of Aberdeen Proving
Ground Projects to Replace Boilers and Repair Interior

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Acronyms and Abbreviations

APG	Aberdeen Proving Ground
DoD OIG	Department of Defense Office of Inspector General



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

DEC 07 2010

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY
COMMANDING GENERAL, U.S. ARMY INSTALLATION
MANAGEMENT COMMAND
GARRISON COMMANDER, ABERDEEN PROVING
GROUND

SUBJECT: American Recovery and Reinvestment Act—Execution of Aberdeen Proving Ground
Projects to Replace Boilers and Repair Interior
(Report No. D-2011-RAM-008)

We are providing this report for your information and use. We performed this audit in response to the requirements of Public Law 111-5, "American Recovery and Reinvestment Act of 2009," February 17, 2009. We determined that the projects to "Repair Interior of APG 30" and "Replace 3 Boilers in E1574" were justified and met the Recovery Act goals regarding accountability and transparency. We considered management's response to a discussion draft of the report when preparing the final report. No additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Donald A. Bloomer at (703) 604-8863 (DSN 664-8863).

A handwritten signature in black ink, reading "Alice F. Carey".

Alice F. Carey
Assistant Inspector General
Readiness, Operations, and Support



Results in Brief: American Recovery and Reinvestment Act-Execution of Aberdeen Proving Ground Projects to Replace Boilers and Repair Interior

What We Did

Our overall objective was to determine whether DoD implemented Public Law 111-5, “American Recovery and Reinvestment Act of 2009,” February 17, 2009, by meeting the requirements in the Recovery Act, the Office of Management and Budget Memorandum M-09-15, “Updated Implementing Guidance for the American and Reinvestment Act of 2009,” April 3, 2009, and subsequent related guidance. We assessed Aberdeen Proving Ground’s implementation of plans for two projects. Specifically, we reviewed the projects’ justification and requirements.

In July 2009, the DoD OIG and the U.S. Army Audit Agency conducted an audit of 6 projects at Aberdeen Proving Ground. The Army funded 5 of the projects we reviewed, and the 6th project was funded by the Defense-wide Defense Health Program. This report addresses 2 of the 5 Army-funded projects, “Replace 3 Boilers in E1574” and “Repair Interior of APG 30.” We will address a third project in a separate report. The Army Audit Agency issued Audit Report No. A-2010-0127-FFE, “American Recovery and Reinvestment Act of 2009, Aberdeen Proving Ground, Maryland,” 1 July 2010, on the three projects that it evaluated.

What We Found

Aberdeen Proving Ground Department of Public Works personnel adequately justified its plans for the interior project. Additionally, Aberdeen Proving Ground personnel implemented the

interior and boiler projects in accordance with Recovery Act requirements.

Aberdeen Proving Ground Department of Public Works personnel did not initially provide adequate justification and support for project plans and contractor registration for the boiler project; however, in response to issues we identified during this audit, public works personnel initiated corrective action and adequately justified the project. In addition, contracting personnel provided documentation supporting contractor registration.

What We Recommend

This report contains no recommendations.

Management Comments

The Garrison Commander, Aberdeen Proving Ground, has taken action to address the concerns we presented in the discussion draft report. We do not require any formal comments.

Table of Contents

Results in Brief	i
Introduction	1
Objective	1
Recovery Act Background	1
Aberdeen Proving Ground Implemented Project Plans in Accordance With the Recovery Act	3
Planning: Projects Adequately Justified	3
Execution: Projects Implemented in Accordance With Requirements	3
Appendices	
A. Scope and Methodology	5
B. Recovery Act Criteria and Guidance	8

Introduction

Objective

Our overall objective was to determine whether DoD implemented Public Law 111-5, “American Recovery and Reinvestment Act of 2009,” February 17, 2009, (Recovery Act) by meeting the requirements in the Recovery Act, Office of Management and Budget Memorandum M-09-15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” April 3, 2009, and subsequent related guidance. We assessed Aberdeen Proving Ground’s (APG’s) implementation of plans for two projects. Specifically, we reviewed justification and requirements for projects “Replace 3 Boilers in E1574” (boiler project) and “Repair Interior of APG 30” (interior project). See Appendix A for a discussion of our scope and methodology.

Recovery Act Background

In passing Public Law 111-5, Congress provided supplemental appropriations to preserve and create jobs; promote economic recovery; assist those most affected by the recession; provide investments to increase economic efficiency through technological advances in science and health; and invest in transportation, environmental protection, and other infrastructure. The Recovery Act also established unprecedented efforts to ensure the responsible distribution of funds for its purposes and to provide transparency and accountability of expenditures by informing the public how, when, and where tax dollars were being spent. Further, the Recovery Act stated that the President and the heads of Federal departments and agencies were to expend these funds as quickly as possible, consistent with prudent management.

Office of Management and Budget Memorandum M-09-15 promulgated an updated set of Government-wide requirements and guidelines that Federal agencies must implement or prepare to effectively manage activities under the Recovery Act. Under this guidance, Federal agencies are required to enhance accountability by:

- awarding and distributing funds in a prompt, fair, and reasonable manner;
- ensuring that the recipients and uses of all funds are transparent to the public and the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- using funds for authorized purposes and mitigating the potential for fraud, waste, error, and abuse;
- ensuring that projects funded under this Act avoid unnecessary delays and cost overruns; and
- achieving program goals, including specific program outcomes, and improved results on broader economic indicators.

DoD received approximately \$6.8 billion¹ in Recovery Act funds for projects that support the purposes of the Act. The Department of the Army received \$2.1 billion in Recovery Act funds for Operation and Maintenance; Military Construction; and Research, Development, Test, and Evaluation. See the table below for the specific amounts allocated to each appropriation.

Department of Army Recovery Act Appropriations

Appropriations	Amount (millions)
Operation and Maintenance	\$1,839
Military Construction	230
Research, Development, Test and Evaluation	75
Total	\$2,144

Of the \$2.1 billion appropriated to Department of the Army projects, the Army allocated \$44.4 million (Operations and Maintenance) to projects located at APG. Together, the Department of Defense Office of the Inspector General (DoD OIG) and Army Audit Agency reviewed five projects totaling \$15.9 million funded through the Army. See Appendix A, for the specific cost estimates for each of the five projects. This report addresses the boiler and interior projects at APG, which totaled \$3.6 million in costs. The DoD OIG will issue a separate report on project “Modernize 3rd Floor Utilities-Center for Health Promotion and Preventive Medicine,²” funded through the Defense-wide Defense Health Program. The Army Audit Agency will issue a separate report on the child development center, barracks, and Building 316 projects.

APG is home to 9 commands and supports 70 tenants, as well as 20 satellite activities and 17 private activities. The installation provides facilities to perform research, development, testing, and evaluation of Army materiel. It also supports a wide variety of training, including mechanical maintenance, health promotion and preventive medicine, chemical and biological defense, chemical casualty care, and chemical demilitarization. In addition, APG hosts National Guard and U.S. Army Reserve operations and training.

¹ The \$6.8 billion does not include \$4.6 billion for the U.S. Army Corps of Engineer or \$555 million for the Homeowners Assistance Fund.

² The U.S. Army Center for Health Promotion and Preventive Medicine is currently known as the U.S. Army Public Health Command (Provisional)

APG Implemented Project Plans in Accordance With the Recovery Act

APG personnel adequately justified the Recovery Act project “Repair Interior of APG 30.” APG personnel initially omitted adequate justification and support for project plans and for contractor registration for the Recovery Act project to replace the boilers. APG Department of Public Works and contacting personnel subsequently prepared and provided justification to support the project plans and provided contractor registration in response to a discussion draft of this report. As a result, the Recovery Act project “Repair Interior of APG 30” and “Replace 3 Boilers in E1574” were adequately justified; APG personnel implemented the plans for both projects in accordance with Recovery Act requirements.

Planning: Projects Adequately Justified

APG appropriately planned the interior project. We determined the interior project was justified based on information contained on Army Form 4283 (Form 4283), “Facilities Engineering Work Request.” Form 4283 included information on why the interior of building APG 30 needed repairs. However, the plans for the boiler project initially omitted adequate justification. In response to a discussion draft of this report, Department of Public Works personnel modified the work request to include adequate justification.

The initial justification provided for the boiler project on Form 4283 was “replace three boilers.” The project requestor, a Department of Public Works official at APG, failed to detail why the boilers needed replacement. According to the U.S. Army Field Artillery Center and Fort Sill Supplement 1 to AR 420-17, the description and justification of the “work to be accomplished” segment on Form 4283 must be concise yet fully explain all work required and must justify why the work is necessary. In our discussions with the APG Project Manager, he stated that the project did not require written justification because it was part of the annual work plan. Although the Project Manager was able to explain to us why the boilers needed replacing, he did not officially document his reasoning in writing. Since our discussions on this issue with APG personnel, Department of Public Works personnel modified the Form 4283 by describing the failing condition of one boiler and the need to replace it and the connecting pipe to provide heat for the facility. APG improved transparency of expenditures by providing adequate written justification.

Execution: Projects Implemented in Accordance With Requirements

According to Federal Acquisition Regulation Subpart 4.11 “Central Contractor Registration,” Section 4.1102, “prospective contractors shall be registered in the Central Contractor Registration database prior to award of a contract agreement.” Further, Section 4.1103 states that a “contracting officer, before awarding a contract or agreement,

shall verify that the prospective contractor is registered in the Central Contractor Registration database.”

APG personnel adequately implemented the interior and boiler projects in accordance with Recovery Act requirements. Specifically, APG contract personnel posted the solicitations for both projects to the Federal Business Opportunities Web site and included “Recovery Act” in the title of the projects. Also, the APG contracting office included applicable Federal Acquisition Regulation clauses in the contracting documents and verified contractor registration in the Central Contractor Registration database as required by the Recovery Act.³

The boiler project initially lacked documentation from the Central Contractor Registration database verifying that six of the seven contractors listed as competitors for the project were Government-approved prior to contract agreement or award. The contracting officer maintained that APG verified the contractors were in the Central Contractor Registration database, but was unable to retrieve historical documentation to support this claim. In response to our discussion draft report, the contracting officer provided documentation from the Central Contractor Registration database to support registration of the six contractors prior to contract agreement or award. Although the Federal Acquisition Regulation does not require documentation, APG can further enhance transparency by documenting that contractors were registered in the Central Contractor Registration database prior to awarding the contract.

³ The interior project, “Repair Interior of APG 30,” was in pre-solicitation phase during our review. Therefore, we could not review Federal Acquisition Regulation clauses and contractor registration.

Appendix A. Scope and Methodology

We conducted this audit from July 2009 to December 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence providing a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

The Army Audit Agency and the DoD OIG provided joint oversight of six projects at APG to determine whether they complied with Recovery Act, Office of Management and Budget Memorandum M-09-15, and subsequent related requirements. The Department of the Army received \$2.1 billion in Recovery Act funds for Operations and Maintenance; Military Construction; and Research, Development, Test and Evaluation. Of the \$2.1 billion, the Army allocated \$44.4 million to projects located at APG. The Army funded five of the projects reviewed. These projects made up \$15.9 million of the \$44.4 million allocated to APG (see table below). One project, “Modernize 3rd Floor Utilities-Center for Health Promotion and Preventive Medicine,” was funded through the Defense-wide Defense Health Program.

Five Projects Assessed at Aberdeen Proving Ground and Funded by the Army

Project Title	Cost Estimate (\$000)	Assigned Agency
Replace 3 Boilers in E1574	\$2,000	DoD OIG
Repair Interior of APG 30	1,600	DoD OIG
Total Cost of DoD OIG Projects	\$3,600	
Repair Child Development Center Facility, 2485- Repair Roof, Sprinkler, Floor, Mechanical System	1,800	Army Audit Agency
Barracks E4229 Replace Chillers, Renovate Lobby and Laundry Room, and Replace Windows	1,100	Army Audit Agency
Repair Building 316 Electrical, Heating, Ventilating, Air Conditioning, Plumbing, Finishes, Doors, and Windows	9,400	Army Audit Agency
Total Cost of Army Audit Agency Projects	\$12,300	
Total	\$15,900	

The Army Audit Agency reviewed three projects, and the DoD OIG reviewed three projects. The Army Audit Agency reported on its three projects in its Audit Report No. A-2010-0127-FFE, “American Recovery and Reinvestment Act of 2009, Aberdeen Proving Ground, Maryland,” July 1, 2010.

This report covers two projects that DoD OIG reviewed, “Replace 3 Boilers in E1574” and “Repair Interior of APG 30.” The boiler and interior projects had cost estimates of

\$2.0 million and \$1.6 million, respectively. We will cover the medical project we reviewed, with a cost estimate of \$15.8 million, in a separate DoD OIG report.

During our review of the two projects, we did not review the Army-wide process for selecting the projects. We interviewed resource management, contracting, business operations and integrations, and Department of Public Works personnel at APG. We obtained supporting documentation, including Department of the Army Form 4283 work requests, justifications, contract documents, and project funding reports. Additionally, we visited the project sites to better understand the work planned or required to implement each project.

Use of Computer-Processed Data

We relied on computer-processed data from the Project Priority System, Program Budget and Accounting System, Installation Management Agency Online, Central Contractor Registration, Project Development Database, Federal Business Opportunities Web site, and Excluded Parties List System. For each project, we used the Project Priority System to generate Department of the Army Form 4283, "Facilities Engineering Work Request," and DoD Form 1391, "Military Construction Project Data," depending on the cost of the project. These forms document the justification for each project. Funds that the DoD receives are issued and controlled using the Program Budget and Accounting System. The system indicates the funds that have been sent to APG. APG uses the system to obtain the funding authorization documents for the installation. Installation Management Agency Online is a U.S. Army financial system which contains information on the amount of money committed to the various projects at APG. Central Contractor Registration is the primary registrant database for the U.S. Federal Government, and it collects, validates, stores, and disseminates data in support of agency acquisition missions. APG's contracting office uses its Project Development Database to create contract files for the various projects funded under the Recovery Act.

Federal Business Opportunities Web site is the single government point of entry for Federal government procurement opportunities over \$25,000. The Excluded Parties List System provides a single comprehensive list of individuals and firms excluded by Federal government agencies from receiving Federal contracts or federally-approved subcontracts and from certain types of Federal financial and nonfinancial assistance and benefits. We compared data generated by the various systems with data in the DoD Expenditure Plans, funding authorization documents, and contracting documentation to support the audit conclusions. We assessed the data to determine if it was reliable, complete, accurate, and competent to answer the audit objectives. We determined that the data were sufficiently reliable for the purpose of reviewing the justification and requirements for the 2 American Recovery and Reinvestment Act projects.

Use of Technical Assistance

The Quantitative Methods and Analysis Division of the DoD OIG did not use classical statistical sampling techniques that would permit generalizing results to the total population. We used predictive analytic techniques to select some of the projects. DoD OIG and Army Audit Agency's management selected APG as a preliminary test site

to jointly test the audit guide. Team members selected projects from an extract of Operations and Maintenance and Military Construction projects for APG identified in the DoD Agency plans, May 15, 2009. The team selected a cross section of project categories and dollar values to review.

Prior Audit Coverage

The Government Accountability Office, the Department of Defense Inspector General, and the Military Departments have issued reports and memoranda discussing DoD projects funded by the Recovery Act. You can access unrestricted reports at <http://www.recovery.gov/accountability>.

Appendix B. Recovery Act Criteria and Guidance

The following list includes the primary Recovery Act criteria and guidance (notes appear at the end of the list):

- U.S. House of Representatives Conference Committee Report 111-16, “Making Supplemental Appropriations for Job Preservation and Creation, Infrastructure Investment, Energy Efficiency and Science, Assistance to the Unemployed, and State and Local Fiscal Stabilization for the Fiscal Year Ending September 30, 2009, and for Other Purposes,” February 12, 2009;
- Public Law 111-5, Recovery Act of 2009, February 17, 2009. The Act appropriates funds to various U.S. Departments, including the Department of the Army;
- Federal Acquisition Regulation, reissued March 2005. The Federal Acquisition Regulation codifies uniform policies for acquisition of supplies and services by executive agencies;
- OMB Memorandum M-09-10, “Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” February 18, 2009;
- OMB Bulletin No. 09-02, “Budget Execution of the American Recovery and Reinvestment Act of 2009 Appropriations,” February 25, 2009;
- White House Memorandum, “Government Contracting,” March 4, 2009;
- White House Memorandum, “Ensuring Responsible Spending of Recovery Act Funds,” March 20, 2009; and
- OMB Memorandum M-09-15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” April 3, 2009.*

Note

* Document provides Government-wide guidance for carrying out programs and activities enacted in the American Recovery and Reinvestment Act of 2009. The guidance states that the President’s commitment is to ensure that public funds are expended responsibly and in a transparent manner to further job creation, economic recovery, and other purposes of the Recovery Act.



Inspector General Department of Defense

